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## **The future of international rail passenger transport UN ECE Workshop, Geneva, 16<sup>th</sup> November 2023**

This is a new era for international passenger transport. Many exciting things are happening in European Railways, including the move towards Open Access, more private operators and the development of the Single European Rail Area (SERA). New technology, from variable gauge rolling stock through to DAC, hydrogen powered locomotives, regenerative braking and other energy saving projects, battery driven trams and many other developments are going to change the way that the rail industry works in the future. In addition, artificial intelligence should gradually help increase capacity on existing routes and we have new ideas (or new old ideas), such as night trains, already with us and new high-speed rail routes such as London to Zürich seriously now being considered. This happens at a time when Rail's credentials, both environmentally and economically are uncontested.

But all of this needs significant investment, both procuring new rolling stock and upgrading existing equipment and it is restricted, with governments and other policymakers constantly struggling to balance an urgent need, on the one side, for investment in rail infrastructure with the requirement to invest in both new technology and new rolling stock generally.

So let me ask you a philosophical question. Because governments help build and often own infrastructure, do they have to carry the financial burden of financing its use? Because they build roads, do they have to finance every car that runs on

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the roads? If governments build airports today must they own every aircraft that flies in and out of the airport. If they build ports do they have to own the ships moving in and out of the port? If they own and build power stations and distribution systems, do they have to own the toasters and televisions that run off the electricity? So why do governments, who are trying their best with limited resources, to rehabilitate and expand rail infrastructure have to own and finance the rolling stock that runs on it?

The private sector has a major role to play in rejuvenating and expanding the rail sector in Europe by providing finance for rolling stock, and that's where the Luxembourg Rail Protocol to the Cape Twon Convention comes in. It creates:

- a new international legal framework for securing creditor rights when financing railway rolling stock
- an international public registry, searchable 24/7 over the internet, to record and protect the priorities of security interests for creditors and
- “URVIS”: the new system for global permanent unique identification of all types of rolling stock - and now the UN Model Rules on permanent marking of railway rolling stock, the first working amendments to which were approved by the Rail Working Party here yesterday, setting minimum standards for the marking of the URVIS number onto rolling stock.

The Luxembourg Rail Protocol, expected to enter into force in contracting states on 8<sup>th</sup> March 2024, will play a critical role in the development of International Rail Transport for the following reasons:

- It will encourage the provision of private capital for railway rolling stock – both new and existing fleets - at financially sustainable rates, relieving government from this layer of expense, allowing them to focus resources on rehabilitation and expansion of rail infrastructure,. In particular, it will support investment in new technology for rolling stock, in turn delivering more efficiencies for the rail system.
- It will reduce the costs for rolling stock finance because
  - It reduces creditor risk (and therefore creditor cost where banks have to allocate capital against loans)
  - Simplifies documentation, so no need for multiple jurisdiction asset pledges and legal opinions



- Facilitates cheaper export credit support

thereby lowering barriers to entry and supporting lightly capitalised new entrants and small operators through facilitating asset based financing and in particular providing flexible operating lease options

- It supports new funding sources for open access operators and SERA where even state operators expanding outside of their home country, may not have access to state support and Eurofima funding
- By introducing a *common* international asset security regime, the URVIS identification system and the UN model rules on marking of rolling stock, the Protocol will facilitate international operations by
  - securing private creditors where rolling stock crosses jurisdictional boundaries
  - giving financiers real time tracking of the location and daily operation of rolling stock
  - facilitating efficient interoperability and regulatory models worldwide; and
  - URVIS will also allow lifetime recording of utilisation and facilitate predictive maintenance regardless of where the rolling stock is operating.
- It will make it easier to move rolling stock between different assignments and locations enabling more efficient use, even between countries within the same operator group and on the other hand, the Protocol creates a new system for joint ventures to work independently and cost effectively
- The international register will potentially protect owners, lenders and operators from fraudulent claims on rolling stock

As such, the Luxembourg Rail Protocol clearly has an important part in the European passenger rail sector of the future. **And it will enter into force in contracting states already on 8<sup>th</sup> March 2024.** So the Protocol should be ratified across Europe and the World as quickly as possible to take advantage of the benefits it brings.